

City of DeSoto

Independent Accountant's Examination Report

For the period
July 1, 2012 through June 30, 2013

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City of DeSoto

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nick Hasty	Mayor	Jan 2018
Carol Lee	Council Member	Jan 2016
Steve Cox	Council Member	Jan 2016
Kelly Summy	Council Member	Jan 2016
Jay Button	Council Member	Jan 2018
Ken Brant	Council Member	Jan 2018
Marcia Thomas	Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of DeSoto pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of DeSoto for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduce TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.196(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of DeSoto, the objective of which is the expression of opinions on financial statements. Accordingly, we do not

express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of DeSoto, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of DeSoto and other parties to whom the City of DeSoto may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of DeSoto during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
December 19, 2013

Detailed Recommendations

City of Desoto

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the city should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Council Minutes - Chapter 380.7 of the Code of Iowa requires minutes to be properly signed. Minutes for the meetings tested were not signed.

Recommendation - The City should comply with the Code of Iowa and sign the minutes as required.

- (C) Depository Resolution - Chapter 12C.2 of the Code of Iowa requires approval of all depositories and the maximum amount to be kept on deposit in each depository. The Cities resolution references Chapter 7.03(2) of the DeSoto Code of Ordinances and simply states all funds.

City of DeSoto

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

Recommendation - The City should determine whether the DeSoto Code of Ordinances is in compliance with the Iowa Code and issue a new resolution stating the maximum amount to be kept in the depository.

- (D) Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid	Purpose	Amount
Clive Red Light Photo Program	traffic violation	\$ 100

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

- (E) Disbursements - Disbursements examined were not adequately supported. There is no indication of department approval or receipt on the items billed.

Recommendation - All invoices should be documented as to receipt and approval by department originating the purchase before payment is made.